

SLEEP COUNTRY CANADA ACQUISITION OF ENDY

INVESTOR PRESENTATION

November 30, 2018

SleepCountry  **DORMEZ-VOUS?**

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DISCLAIMERS

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Certain information in this presentation contains forward-looking information and forward-looking statements which reflect the current view of management with respect to the Company's objectives, plans, goals, strategies, outlook, results of operations, financial and operating performance, prospects and opportunities. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe" and similar expressions identify forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved. All of the information in this presentation containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

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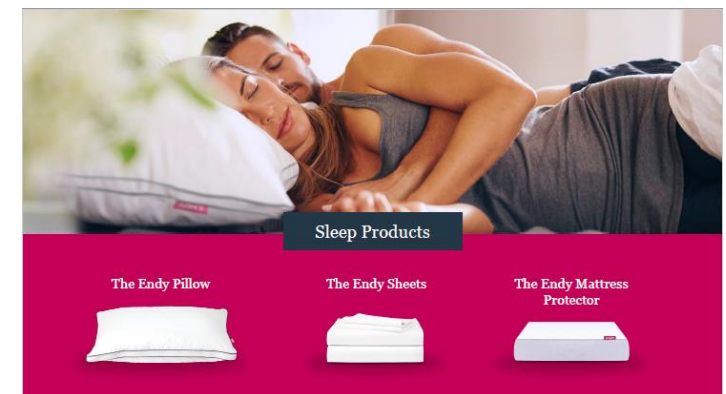
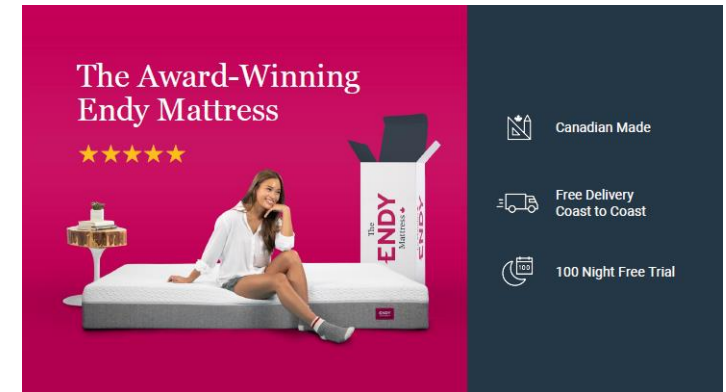
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Non-IFRS Measures

This presentation makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "Same Store Sales" or "SSS", "EBITDA", "Operating EBITDA", "Adjusted Net Income" and "Adjusted Earnings Per Share" to provide investors with supplemental measures of its operating performance and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a reconciliation of these non-IFRS measures refer to the Company's MD&A for Q3 2018 which is available on SEDAR at www.sedar.com.

OVERVIEW OF ENDY

- Endy is the leading online mattress-in-a-box retailer in Canada, with over 80,000 mattresses units sold and thousands of five-star customer reviews
- Simple product line consists of one mattress, one pillow, one sheet set, and one mattress protector
 - Engineered to offer the perfect balance of comfort and support, the Canadian-made Endy Mattress ships for free to every province in a box the size of a hockey bag
 - Mattresses range in size from twin to California king and are offered with a 100-night return policy and 10-year warranty
- Endy is profitable and growing at a highly accelerated rate
 - Revenue has grown 150% year-over-year in 2018
- Endy was founded in 2015 by Rajen Ruparell (Chairman) and Mike Gettis (CEO)
- The Endy team has 34 members and operates all in-house, including marketing, creative, analytics, PR, customer care, operations, and administration
 - Product manufacturing is outsourced to third parties, with mattresses manufactured in Canada
- The company is headquartered in downtown Toronto and has warehouses in Mississauga, ON and Delta, BC



TRANSACTION OVERVIEW

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|-----------------------------------|--|
| Acquisition | <ul style="list-style-type: none">▪ Sleep Country has agreed to acquire substantially all of the assets and liabilities of Endy for \$88.7 million<ul style="list-style-type: none">○ \$63.7 million in cash at closing, representing approximately 12.0x Endy LTM EBITDA○ Additional earn-out of up to \$25.0 million based on achieving certain growth and profitability targets by 2020○ If earn-out is achieved, future implied acquisition multiple for 2020 will be below 9.0x▪ Transaction is immediately accretive to earnings per share (before synergies) |
| Financing | <ul style="list-style-type: none">▪ Acquisition will be financed through an increase of the existing revolving credit facility by \$60 million to \$210 million▪ Pro forma total debt to LTM EBITDA of approximately 1.5x at transaction closing |
| Management and Integration | <ul style="list-style-type: none">▪ Endy will continue to be operated as a separate business within Sleep Country▪ General oversight of the Endy business will be provided by a board comprised of the senior management of Sleep Country and Endy.▪ Mike Gettis will continue to be Endy's CEO |
| Closing | <ul style="list-style-type: none">▪ Subject to customary closing conditions, with expected closing on December 6, 2018 |

INVESTMENT HIGHLIGHTS

Strong Online Mattress Market Fundamentals

Rapidly Growing and Profitable Business

Innovative Brand Backed by Best-in-Class Digital Marketing and eCommerce Expertise

Enhances Sleep Country's Strategic Positioning

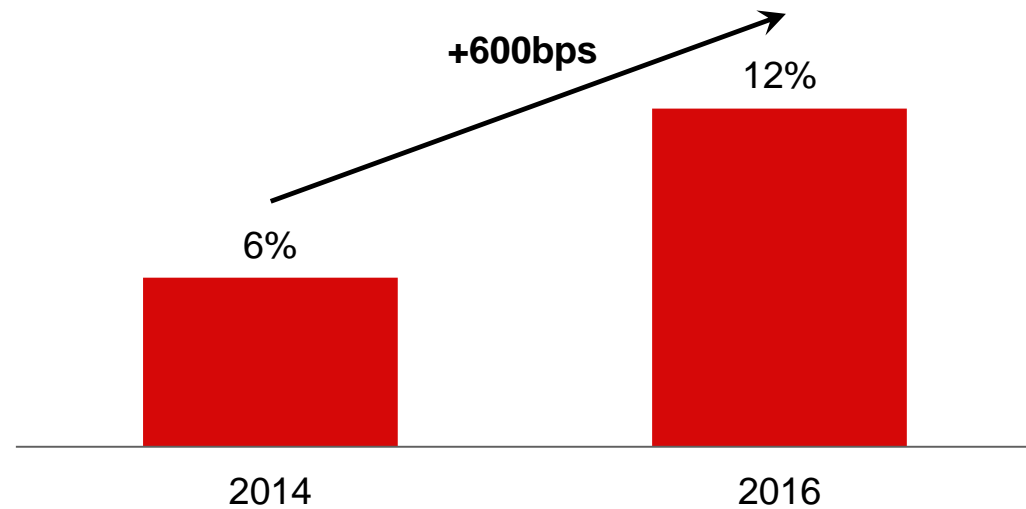
Financially Attractive Opportunity with Synergy Potential



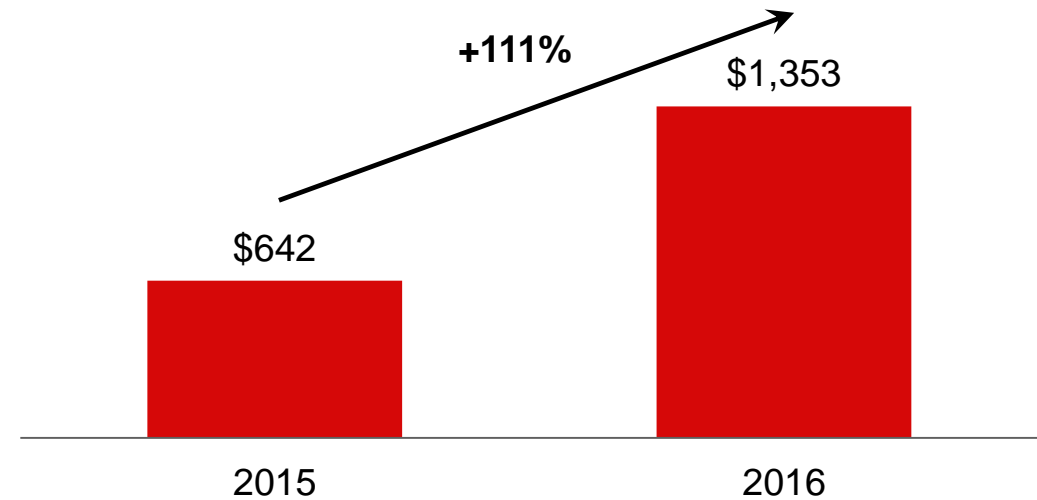
STRONG ONLINE MATTRESS MARKET FUNDAMENTALS

- The online direct-to-consumer (DTC) mattress market is growing at an accelerated rate relative to traditional retailers
- Management believes that DTC mattress retailers currently represent approximately 6% of the market, and this is expected to grow into the future
 - Industry research estimates the market share of DTC mattress retailers in the U.S. was approximately 12% in 2016
 - The U.S. growth trajectory for DTC mattress retail suggests there is future growth to come in the Canadian market
- Endy offers an opportunity for Sleep Country to increase its participation in this growth and enhance its exposure to the online channel

U.S. DTC Mattress Market Share⁽¹⁾



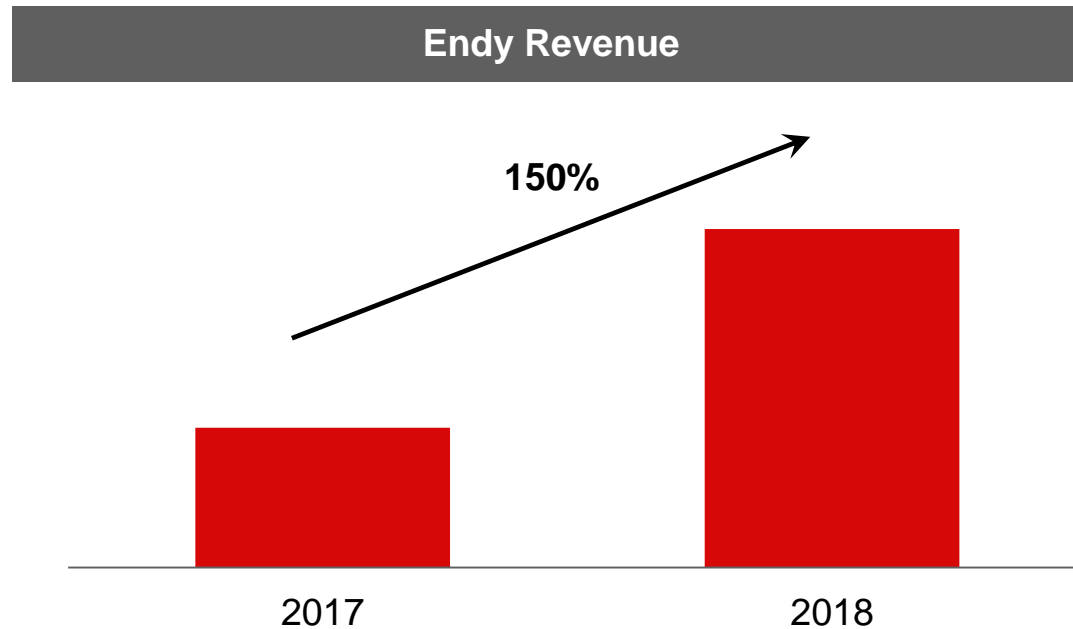
U.S. eCommerce Bedding Sales of Top 15 Peers (US\$M)⁽²⁾



1) Furniture Today – Bedding Distribution
2) Furniture Today – 2018 Retail Planning Guide

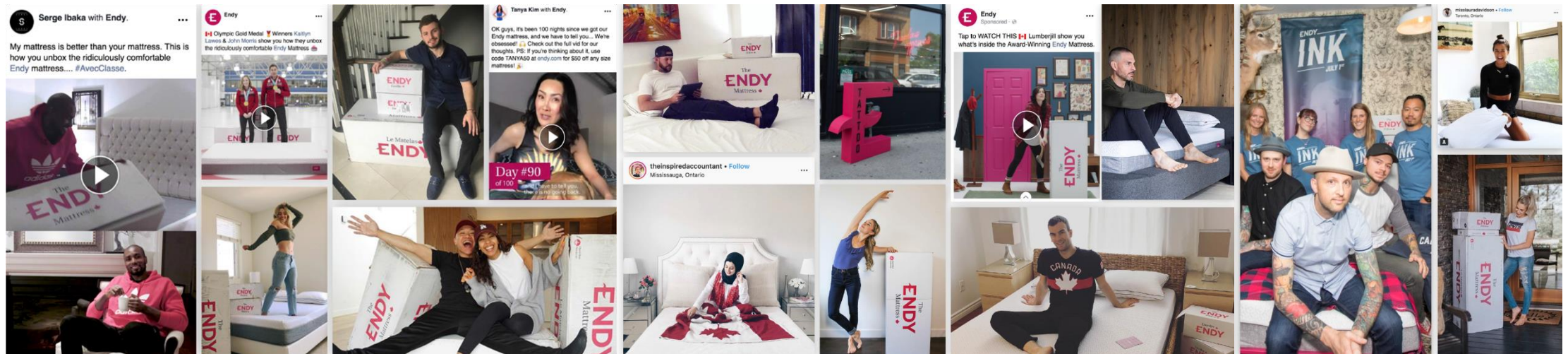
RAPIDLY GROWING AND PROFITABLE BUSINESS

- Endy has been named Canada's fastest-growing retail company and the 4th fastest growing company overall based on the 2018 Startup 50 list by *Canadian Business* and *Maclean's*
 - Revenue growth of over 150% year-over-year in 2018
 - Accessories are also becoming an increasing part of the business
 - Growth has been achieved with very minimal external investment
- Endy is profitable and maintains strong EBITDA margins while advancing its growth strategy



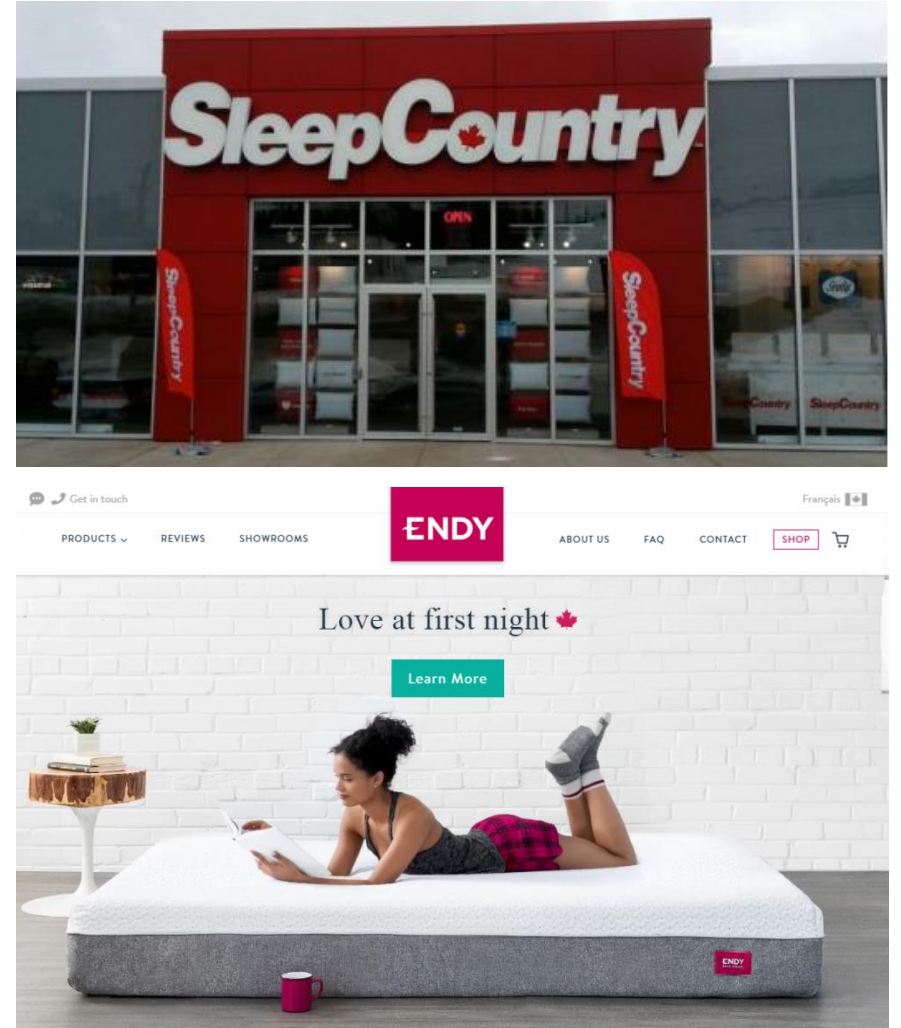
INNOVATIVE BRAND BACKED BY BEST-IN-CLASS DIGITAL MARKETING AND ECOMMERCE EXPERTISE

- Endy has a strong brand identity with game-changing reach that resonates with Canadians
 - Leaders in innovative eCommerce with a "Digital First" approach across all aspects of the business
 - Simplicity, convenience, and cost-advantage of its online platform has resulted in the high customer reviews and low return rates
- Endy's digital marketing expertise has resulted in a captivating online presence across various digital media with a particular ability to connect with customers through social media platforms
 - Focused on building hyper-engaged audiences by partnering with high-impact influencers and creating content that becomes a social currency



ENHANCES SLEEP COUNTRY'S STRATEGIC POSITIONING

- Endy is widely recognized as one of the biggest mattress-in-a-box eCommerce players in Canada and Sleep Country is the #1 Canadian mattress retailer
- Transaction positions the combined company as "best-in-class" in Canada to compete against local and U.S. entrants
 - Strong brands in both traditional mattress retail and the online "disruptor" market
 - Complete offering with full range of traditional products plus simple, digital-first, bed-in-a-box products
 - Enhances Sleep Country's omni-channel capabilities



FINANCIALLY ATTRACTIVE TRANSACTION WITH SYNERGY POTENTIAL

| | |
|--------------------------------------|---|
| Accretive Transaction | <ul style="list-style-type: none">▪ Transaction is immediately accretive to EPS, excluding any synergies |
| Reasonable Valuation | <ul style="list-style-type: none">▪ Attractive acquisition multiple for a market-leading, disruptive, and profitable early-stage business growing at an accelerated rate |
| Value-creating Use of Capital | <ul style="list-style-type: none">▪ Acquisition of Endy is a value-enhancing deployment of available capital that will drive further growth in Sleep Country's business▪ Excess free cash flow will be used to reduce leverage over time going forward |
| Future Synergy Potential | <ul style="list-style-type: none">▪ Although Endy will be kept as a stand alone business within Sleep Country, there is synergy potential for the transaction in the future:<ul style="list-style-type: none">○ Potential to leverage Sleep Country's back-end operations for logistics, warehousing and shipping○ Sleep Country can capitalize on Endy's eCommerce, technology, and digital marketing capabilities for its own operations |

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